

Lessons Learned About the Processes of and Techniques for Effective Implementation of Projects to Consolidate Democratic Practice Through Decentralization and the Strengthening of Local Governance

by:

Allan Rosenbaum

Director

Institute for Public Management and Community Service
Florida International University

with the assistance of:

Cristina Rodriguez-Acosta

and

Karen Shaw

also of

Florida International University

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Concern about the strengthening of local government in Latin America has arisen from many different sources. The historic roots of this in the Western Hemisphere go back at least as far as Alexis DeTouqueville's famous visit to the United States and his discovery of the importance of local citizens and their emerging municipalities in the sustaining and nourishing of the then newly formed North American democracy. More recent concern for the strengthening of local government specifically in Latin America can be traced to the work of international donor organizations which have increasingly emphasized the need to enhance and strengthen municipal government as part of the process of democratization in countries undergoing the transition from authoritarian to democratic governance.

The emphasis which the international donor community has placed upon the strengthening of local government undoubtedly is in part a consequence of the work of scholars who have focused upon the need for local civic action as a means of sustaining democratic governance. Perhaps even more important, however, has been the fact that for now close to three decades, international donor organizations have, in the face of the need and the desire to organize programs in countries whose government were viewed as either authoritarian or corrupt or both, opted for the creation of locally based nongovernmental organizations (NGO's) as vehicles for the distribution of technical assistance.

This focus upon NGO's as the vehicles for the development of democratic institutions has tended to call particular attention to local governance issues and the need for strong municipal institutions. More recently, as democratic governance has emerged in various parts of the world, both the international donor community and, to a lesser extent, the newly democratized governments have begun to become increasingly concerned about the strengthening of civil society through the creation of more open, responsive and effective local government service delivery capacity and the enhancement of community based citizen participation. For many governments this has meant a very dramatic turn around since for more than a few of them efforts to suppress locally based political and government institutions and independent citizen participation have been the historic norm.

Because of the limited experience of many democratizing nations with the development of autonomous local government, the role of international donor organizations has been a critical one. This paper will report on lessons learned from such efforts as they occurred principally in the nation of Paraguay, and to a lesser extent, Chile, - countries which have moved from recent histories of suppressing - sometimes brutally - the growth of the local institutions of civil society to try to encourage such developments.

The Institute for Public Management and Community Service at Florida International University has been, for the past three years, conducting a USAID funded democratic development project in Paraguay and Chile designed to promote government decentralization, strengthen local governance and enhance citizen participation. Unlike the majority of USAID administered projects, this one was designed in an unusually open ended fashion. This allowed, at least in Paraguay, for a very high level of flexibility in implementation and enabled project staff to work simultaneously at many levels - national (i.e., the Congress, the Ministry of Health, the Ministry

of Finance), - local (i.e., Municipality of Asuncion), and grass roots (neighborhood citizen groups, etc.).

A second unique aspect of the project is that it was designed to involve the utilization of a very large number of high level US local government practitioners, (i.e. Metro-Dade County Government senior staff personnel). The theory that was to be tested was that local government officials involved in a technical assistance relationship would respond more enthusiastically to their US local government counterparts than to professional consultants.

The project itself has had some unique successes, including in Paraguay: a) initiating and guiding the organizing of the first public hearing ever held on a government budget in the Country's history; b) the establishment of the nation's first municipal-based public/private citizen advisory councils; c) the initiating of the first public hearing by a Committee of the Congress, (the Municipal Committee of the Chamber of Deputies); and d) the creation of the Country's first citizens commission designed to achieve policy consensus among contending political interests on the development of a civic project. In Chile, at the direction of USAID, the project was much narrower in scope, and worked through Chilean NGO's. Nevertheless, there also were noticeable successes in that country including the further professionalization of the position of the city manager and the promotion of interest in new methods of local revenue generation.

The principal goal of this paper will be to obtain a better understanding of how processes of strengthening local government work with particular emphasis upon the role of international donor organizations and the lessons which the experiences in Paraguay and Chile provide for such organizations as they seek to encourage the building of strong municipal government in newly emerging democracies. The remainder of this paper is divided into three parts: a section on lessons that can be learned from these efforts; and two chronological case studies of international donor supported local government strengthening and decentralization initiatives.

Promoting Institutional Reform : Lessons Learned, the Paraguay and Chile Experience

As one might imagine, given the unusual nature of this project, it has involved a variety of novel experiences, with the consequent result that we believe there have been several quite useful lessons learned from it. What follows is a brief review of some of the lessons learned - some reasonably obvious; others a good deal less obvious.

1. Significant Institutional Reform Requires the Commitment of a Strong Leader. The reforms noted above simply would not have happened absent the willingness of Mayor Carlos Filizzola of Asuncion or the Paraguayan Minister of Health and Human Services, Andres Morales Vidovich, to take the necessary risks and make the difficult decisions required to lead the process of change. On several occasions they faced very significant opposition from colleagues and/or senior officials within their own administrations who were concerned about the political risks required to make significant reforms.

Particularly notable instances occurred in the implementation of what ultimately turned out to be perhaps the most highly praised of all of the innovations and reforms introduced by Mayor Filizzola - the public hearings on the budget. When this idea was first being considered by the Mayor, it was strongly opposed by several of his most important department directors who feared that it would provide opportunities for his political opponents to attack him. Consequently, they proposed that it should be delayed until the Mayor's final budget process which would be immediately prior to the election of a new mayor. Filizzola, persuaded by a point strongly made by FIU, that should he delay for that long a time, there would be little chance to institutionalize this reform, initiated it a year and a half prior to his leaving the mayoralty. Consequently public hearings were able to occur during the course of two annual municipal budgetary processes. Moreover, the first of the second year's annual hearings was held in a park in a low income neighborhood that had been constructed as a result of requests made at the previous year's hearing.

The situation was very similar in the case of decentralization of the national health system. There, Minister Vidovich was strongly opposed by many of his mid-level managers and initially given almost no encouragement by his peers or the office of the President when he first raised the issue of creating local health planning councils and decentralizing control of some of the resources of the Ministry of Health to local level officials. Had the Minister not been very determined to move in this direction there is no question that mid-level staff would have totally blocked these efforts.

However, in working with strong leaders, it is important to keep in mind that they do sometimes have a tendency to be impatient with the process of reform. Consequently may ignore the need to bring along through persuasion, rather than demand or command, those who are reluctant to move forward on innovation. In the project's Paraguayan experience it was readily evident that one of the two leaders noted above was much more sensitive to this reality than was the other.

Consequently, one of the important contributions that the project made to these processes was to help sensitize the leaders of the reform efforts of the need to be as inclusive as possible in working with their staff and constituencies in order to gain support.

2. Creating the Degree of Trust Necessary to Produce Real Institutional Reform Takes Time. The first year of the project was a long and, upon occasion, frustrating one; while the second and especially the third year witnessed significant achievements often rapidly obtained. The reason for this was simple. First, it takes considerable time to be able to determine and then focus upon realistic significant targets of reform opportunity. Second, it also takes time to then build the sense of trust with senior officials and policy makers that is a necessary prerequisite of any effort to introduce significant institutional reform. Much time and effort was spent by project staff in dialogue with officials in order to cultivate and build the relationship of trust and confidence that was a necessary prerequisite in initiating the reforms that were carried out through this effort.

It should be noted however that there is a potentially costly downside involved in this situation. While our experience has shown that most international donor staff are comfortable with efforts to build such relationships and recognize both that they are critical to achieving reform and can in fact be used to advantage by the donor agency in terms of achieving its own goals, some staff appear to be very uncomfortable with the fact that strong relationships are built between project contractor staff and senior in country government officials.

3. The Use of a Multi-level Focus has been very Important to the Effort to Implement Significant Institutional Changes. The reality is that one can't change a major governmental institution in a vacuum - one must work both with the institution and the various forces that impact upon it as well. This is especially true when one is trying to convert a highly centralized governance system to a decentralized one. The reality is that to focus one's attention simply on strengthening local governments in a system where power is principally held at the center (or the top) will not carry the reform effort very far. It is equally, if not more important, to change the contextual environment in which the local government must function.

Working simultaneously with the Congress to change laws, and the national Ministries, to encourage their decentralization; while at the same time trying to assist in strengthening intermediate and local governments and neighborhood based organizations has on many occasions in Paraguay resulted in mutually reinforcing outcomes. As an illustration, one might note that a very important step in promoting decentralization in Paraguay and the strengthening of local government could occur through the adoption of the reforms included in the Country's proposed new municipal law which would both strengthen the resource base of local government and possesses a provision that would allow municipalities to operate for the first time health and education programs. Thus, by working with the Congress one is in a position to strengthen local governance. In addition, the developing of information for one level of government can turn out to be very useful for, or can even significantly influence the actions of, another level of government. Another advantage of multi-level involvement is that it often enables one to play

a "broker role" between the different levels of government in terms of linking key actors who share similar views but do not know one another because they work at different levels or in different branches of government.

4. It is Necessary to Work Closely and Extensively with Political Leaders and Elected Officials. Historically, many development projects have tended to principally involve technocrats dealing with other technocrats. In a project which focuses heavily upon policy change, it is necessary to work closely with high level politicians. This is because significant institutional reform, and policy change are essentially political acts. Consequently, high level politicians will always have the final decision-making power. In a sense, this may be quite beneficial since, high level politicians may often be more responsive to change than mid-level government managers. Certainly this was the case with Mayor Filizzola.

5. Foreign Models do have Some Measure of Relevance. Individuals involved in development projects are often very concerned about trying to impose an external model on one or another areas of administration or policy making activity in a country in which technical assistance is being provided. Most assuredly it is important to be sensitive to these issues. Nevertheless, foreign models or practices do have some relevance in terms of the introduction of reforms. Certainly, this project's efforts to enhance and strengthen both city manager governance and the professionalism of the city managers in Chile was very very heavily influenced by US practice. In Paraguay, our efforts at health decentralization were heavily influenced by the Colombian experience with decentralization of its health system. Budgetary reform activities with the Municipality of Asuncion in Paraguay were very much influenced by US municipal budgetary practice.

This is of particular relevance in terms of the introduction of US practices in Latin American countries. In part, in reaction to concerns about not creating an image of being overbearing, those involved in U.S. sponsored technical assistance projects are often very reluctant to invoke U.S. practice or structures as models for Latin America. In fact, our experience has shown that the people with whom we work, especially the higher level officials (Mayors, Ministers, Congress people), are very interested in, and quite receptive to, learning about and introducing, as appropriate, best practice from other countries including the US. Indeed, U.S. experience and practice in government reform, federalism, fiscal management and municipal development frequently have proven quite relevant to implementing institutional changes and policy reform in Paraguay.

6. Project Design and Implementation Flexibility is Very Important. It is imperative to have flexibility within project design since there is no way to predict in advance when, where and in what manner significant policy and administrative reform opportunities may materialize. Project design and implementation flexibility also allows one to be open to new opportunities when they arise. It also allows project staff to be more sensitive to those who are most receptive to new ideas and to take advantage of opportunities to work with them.

7. The Use of High Level US Municipal Practitioners has Proven to be Very Successful.

Each day US municipal officials face many similar problems to their Latin American counterparts. Moreover, they are on the cutting edge of best practice in the US and it routinely shows. Consequently, the use of US counterpart practitioners has had the effect of promoting a very high level of trust, receptivity, and responsiveness between advisors and clients. Equally important, it has produced the likelihood of a continuing relationship between the North American and the Latin American participants.

8. It is Important to Recognize that for Politicians All Relationships are Exchange Relationships. Another important realization that has come from the project is the recognition that for politicians, institutional and policy reform is essentially an exchange relationship. Consequently, it is always important to focus on and to obtain clear benefits for both sides from any proposed reform. If politicians or senior administrators are asked to give up some authority or power, they should be able to gain other resources - such as political advancement, recognition or publicity, or other kinds of support - in return.

9. The Implementation of Real Decentralization Requires Strong Locally Based Constituencies to Support these Efforts. The reality is that while a growing number of national level political and governmental leaders are embracing the rhetoric of decentralization, with but a few exceptions they are for the most part reluctant to actually initiate serious efforts toward this end. Moreover, among those political or administrative leaders who are prepared to initiate efforts at reform, there is a tendency to focus principally on deconcentration (administrative decentralization with principal decision-making still occurring at the center) rather than devolution (where both administrative and policy making authority are turned over to individuals or groups who are directly accountable to local communities).

The reality is that in truth most people, whether they be elected or appointed leaders, are in fact quite reluctant to voluntarily give up authority or power. Thus the mobilization of locally based elites and leaders is usually an important step in the process of bringing about decentralization of both administrative and policy making authority.

10. Most Local Government Institutions Require Strengthening Before they are Able to Operate Effectively in a Decentralized Environment. The reality is that in most localities in Latin America, the structures of local governance, and the management and delivery of public services, are not highly developed and indeed in many instances may be either very fragile or almost non-existent. In addition, the mind set of many individuals, both those involved in government and relevant citizens, is likely to be still inclined to be highly dependent upon direction from the center. Consequently, programs of technical assistance, training and the like are very very important. In addition, many local governments may not even have the infrastructure to take advantage of available training and technical assistance. In Paraguay, for example, half of the country's 217 local governments employ only the Mayor and an assistant. Consequently, they would require substantial investment in new resources - both human and capital - in order to be able to function effectively in a decentralized environment.

11. Locally Based Non-Governmental Organizations Are Often Not a Very Effective Vehicle

for Delivering Technical Assistance for Strengthening Local Government. Over the years the International Donor Community has in many instances tended to rely very heavily on Non-Governmental Organizations (NGO's) as the vehicles through which to deliver technical assistance. While such organizations have in many instances very fine records in delivering technical assistance to locally based groups and individuals, the issue of their relevance in terms of providing technical assistance to government generally, and in particular subnational government (both regional and local), is very much open to question. There was very pronounced evidence of this in Paraguay and certainly there were hints of it in Chile. Especially, in the Municipality of Asuncion, there was suspicion about both the nature and the purposes of many local NGO's and strong feelings that NGO's lacked the technical capacity and skill base to efficiently deliver effective technical assistance.

That this should be so is in many respects not surprising. Locally based NGO's are often themselves not that broadly participative and often very limited in their accountability. Moreover, in many situations they are perceived by local governments as in essence, competitors for scarce resources. Furthermore, most local governments of any size, feel rather strongly that the skill base of any NGO's, particularly in the kind of activities that local governments are concerned with, is not only not superior to but not even equal to their own skill base. On top of this, if the organization is not totally coopted by the local government, there is likely to be suspicion of its motives in many cases.

12. The Implementation of Real Decentralization Requires Opportunities for the Decentralized Organizations (Local Governments) to have their own Revenue-Raising Capacity. There is no question that in both Chile and Paraguay the implementation of meaningful decentralization has been greatly impaired by the very limited revenue-raising capacity possessed by local governments. In Chile, there are great limits on the capacity of local governments to raise revenue at the same time that they are given the responsibility for expensive services which they cannot adequately fund. In Paraguay, national government officials have just simply resisted in many instances turning over to local governments that revenue which according to law should be distributed to them. The tendency, developing in many Latin countries, to fund local governments through transfers of funds from national government budgets, also will serve to promote a relationship of control and dependence.

13. Decentralization Efforts do take on a Momentum of Their Own When Properly Supported. Two and a half years ago almost no one outside of the RHUDO/SA, LAC/DI, FIU USAID project was discussing or raising issues of decentralization in Paraguay. Now, whether fully committed or not, most important political leaders and ministers are talking in one way or another about the need to decentralize government authority and responsibility in that country. Indeed, as a consequence of project efforts and initiatives, there is now a National Commission on Decentralization that is working vigorously on these issues. In addition, and perhaps most surprisingly, even the Ministry of Finance, long a bastion of centralized control, is engaged in a series meetings and conversations with people around the country on issues of decentralization.

In Chile, where there was more of a climate of official support for decentralization, in certain

specific areas project efforts helped to create similar kinds of patterns of momentum. Particularly in the area of professionalization of the city manager position in local government in Chile and also to some extent in terms of the building of support for the initiating of a municipal bond market, project efforts led to new or expanded public discussion (at least among relevant actors) of these issues.

14. The Ability to Influence Policy and Practice Doesn't Necessarily Require Large Budgets. In fact, the building of trust, the exercise of strategic judgment, and the dependence upon perseverance and continuity can produce institutional reform that is often substantially more profound than that which is brought through the investment of large sums of money in the purchase of goods and services. For example, the very substantial reforms achieved in working with the Municipality of Asuncion were brought about without the investment in a single piece of equipment or the support of a single staff member of the Municipality by the project.

This is even more dramatically illustrated in the case of the project's work with the Ministry of Health. This project was far and away the most financially inconsequential of the many projects funded both by both USAID and other international donors taking place within Paraguay's Ministry of Health. Nevertheless, the Minister himself, has made it very clear on many occasions, both public and private, that this project was without doubt the most successful and produced the most significant consequences of all of the various projects which were occurring there.

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Principal Achievements of

LAC/DI - RHUDO/SA - FIU/IPMCS

Democratization, Decentralization and Municipal Strengthening Project

I. Promoting wide ranging policy to encourage government democratization and decentralization

1. Assistance to the Paraguayan Congress in the development of a new national municipal law (approved by Chamber of Deputies - pending in Senate) including:

- a) Successfully proposed inclusion of provisions permitting decentralization of education and health systems to local governments
- b) Successfully proposed inclusion of provision permitting local governments to allocate tax revenue to community and neighborhood organizations
- c) Provided extensive technical assistance in drafting final version of legislation

2. Initiation of health sector decentralization policy dialogue and its implementation in Paraguay:

- a) Successfully persuaded Vice Minister and Minister to initiate internal discussions of decentralization of the health sector
- b) Initiated Paraguay's first ever government supported public dialogue on issues of government decentralization with participation by the Deputy Secretary of the US Department of Health and Human Services, Walter Broadnax
- c) Proposed and assisted in creation of the Country's first "Blue Ribbon Commission" to develop a **new national health law** for Paraguay (the law, which is highly supportive of decentralizing the health system, has been approved by the Chamber of Deputies and is currently under consideration in the Senate)
- d) Initiation of Paraguay's first experiment with sectoral service decentralization - including **creation of Departmental (state level) health councils**, composed of national, departmental and local officials, as well as **local health planning councils** (including all of above categories of individuals and appointed local citizens and chaired by the mayor of the largest municipality in the covered area) to begin the process of planning and overseeing local control of the health service delivery

3. Organized (in conjunction with the Paraguayan Governors' Association and the National Commission on Decentralization) and assisted in organizing (with the National Commission and the government of France) two events at which, for the first time, the **President of Paraguay went on record** (through public speeches) on behalf of government decentralization and in support of subnational governments

4. Promoting government decentralization in Paraguay through **encouraging donor - recipient cooperation:**

a) Supported the strengthening of municipal tax collection practices through assisting in the resolution of Executive Branch-Chamber of Deputies political conflict over approval of a major InterAmerican Development Bank loan

b) Encouraged the decentralization of Paraguay's Water Service through the resolution of Executive Branch-Chamber of Deputies political conflict over a major World Bank loan

c) Assisted in ending political stalemate over award of a \$10 million IDB loan to finance pilot project for redevelopment of its waterfront by the Municipality of Assuncion

5. Substantially elevated debate about and consideration of issues of government decentralization by facilitating the involvement of the Ministry of Finance of Paraguay through implementation of a joint United Nations/FIU/Ministry study of Paraguayan public finance and government decentralization

6. Through advice and assistance to key legislative leaders, **introduced more participatory and responsive legislative process** by proposing and facilitating introduction of the following procedures, all new to Paraguay:

a) the receiving of public testimony by a Congressional Committee which was meeting for the purpose of developing new legislation (the Municipal Law)

b) the holding of Congressional Committee hearings outside the national capital of Asuncion (also on the Municipal Law)

c) the holding of Congressional Committee hearings for the purpose of legislative oversight (as part of the compromise to resolve the dispute between the legislative and executive branches over the World Bank loan noted above)

7. Various publications to promote the decentralization dialogue in Paraguay and Chile

8. Technical assistance to the Peruvian Congress (funded directly by USAID/Peru) in

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the development of a new national municipal law:

- a) in consultation with committee staff and members designed and drafted the most progressive of the 3 draft laws currently under consideration
- b) proposed the process implemented by Committee to obtain public input including the first public hearings by a Congressional Committee outside of Lima

II. Strengthening Subnational Governance

1. Led **restructuring of the budget and financial management system** of Asuncion Municipal Government through provision of extensive technical assistance on:
 - a) the process of budget preparation and its presentation
 - b) revenue estimation
 - c) implementation of an integrated, computerized financial management system
2. Strengthened the practice and profession of **non-partisan municipal administrator** in Chile through extensive technical assistance to the Association of Chilean Municipalities and assistance in the initiation of a proposal to organize a Chilean City Managers Association
3. Proposed the creation of and supported the **organization of the high visibility National Commission on Decentralization** (designed to clarify and strengthen sub-national governments) by the Chamber of Deputies of the Congress of Paraguay.
4. Technical assistance to the **Paraguayan Governors' Association** to enable the creation of and maintaining of a more effective permanent association
5. Technical assistance in the **planning of the waterfront redevelopment project** by the Municipality of Asuncion that is to be funded through a \$100 million IDB loan and the \$10 million pilot project
6. Promotion of **new techniques of municipal finance** (creation and utilization of municipal bonds) in Chile

III. Enhancing Citizen Participation, Government Accountability and Institutional Transparency

1. **Strengthened citizen participation** in the Municipality of Asuncion by Proposing to the Mayor and supporting the organization of :

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- a) the first public hearing on a government budget in the history of Paraguay
 - b) the establishment of the first committee of civic leaders in the Municipality of Asuncion's modern history
 - c) the creation of the first public-private sector collaborative committee (to promote and sustain waterfront redevelopment in Asuncion over the next decade).
- 2. The provision of training in effective, responsive, **non-partisan municipal management and enhancing citizen participation** to senior officials of 100 municipalities in Chile
 - 3. The provision of **budgetary, planning and citizen participation enhancement** training to staff from 15 Paraguayan Municipalities
 - 4. Proposing and supporting the development in the Municipality of Asuncion of the nation's first open records or "**government in the sunshine**" law
 - 5. Supporting the **consensus building** capacities of USAID/Chile grantees on selected problems of sub-national governance

IV. Organizational Achievements

- 1. Developing new means to provide **high level, state of the art technical assistance** to sub-national government in Latin America through the creation of extensive, ongoing linkages between a major US local government and an important Latin American local government
- 2. **Linking USAID project activities to Sister Cities activities** in order to stimulate business, government and education relationships between Asuncion and Metropolitan Dade County, Florida
- 3. Design of **an unusually comprehensive strategy** including involvement in multiple levels of government and multiple sectors to provide a more comprehensive approach to the encouragement of decentralization, strengthening of local government and enhancement of citizen participation in Paraguay
- 4. Organizing and assisting in the planning of, and raising substantial funds for, the **Second Inter-American Conference of Mayors** in Miami, Florida which involved approximately three times the number of participants as the first such conference in Washington, DC.
- 5. Persuaded the Economic Commission for Latin America of the United Nations to counter balance their heavy emphasis, in terms of local government revenue resource

capacity building, on the increased transfer of funds from national to local governments with a corresponding emphasis upon **the enhancement of local government capacity to raise revenue locally.**

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